

## Allowable Costs Under the Omni Circular

1

2015 WASBO  
Federal Funding Conference

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2

## Omni Circular

### Subpart E – Cost Principles

- Addresses 55 “items of cost” that receive clarification regarding allowability, *in general*, for using federal funds
- Is not an exhaustive or minutely detailed list, so...
- Provides guidance on “Basic Considerations” to apply to all costs, listed or not listed

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## Fundamental Premise

3

- Subrecipient has in place sound management practices
- Subrecipient will follow the terms and conditions of the specific federal award
- Subrecipient will determine, based on its own unique combination of staff, facilities, and experience how to assure proper and efficient administration of the federal funds

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4

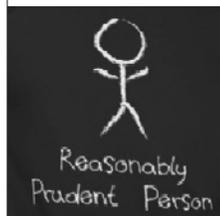
## Factors affecting allowability of costs

### Necessary

- A cost is “necessary” if it meets an important program objective - it must address an existing need

### Reasonable

- “Prudent Person” Standard  
(2 CFR §200.404)



## REASONABLE AND NECESSARY 2 CFR §200.403(a)

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5

### Factors affecting allowability of costs

- Cost principles (Omni-Circular)
  - × EDGAR
- Cross cutting federal statutes/regulations
  - × IDEA, ESEA, etc.
- Program statute and regulations
  - × Grant award
- Other governing regulations
  - × State statutes
  - × District policies

### CONFORM TO LIMITATIONS OR EXCLUSIONS 2 CFR §200.403(b)

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6

### Factors affecting allowability of costs

The cost must be consistent with policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the subrecipient

- Subrecipients cannot apply different rules for allowable costs based on funding source



### CONSISTENT WITH POLICIES & PROCEDURES 2 CFR §200.403(c)

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### CONSISTENT WITH POLICIES AND PROCEDURES 2 CFR §200.403(c)

7

#### EXAMPLE



If the per-diem rate for employees whose salary and travel are paid from state/local funds is one amount, then there cannot be a separate, higher amount for employees paid from federal funds

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8

### CONSISTENT WITH POLICIES AND PROCEDURES 2 CFR §200.403(c)

#### EXAMPLE

If the subrecipient's policy does not reimburse employees for professional association memberships, an exception cannot be made to reimburse the same costs because federal funds are available

**MEMBERSHIP RENEWAL**  
*Annual Dues*

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9

**Factors affecting allowability of costs**

A cost may not be assigned to a Federal award as a direct cost if the same type of cost has already been allocated as an indirect cost



**ACCORDED CONSISTENT TREATMENT  
2 CFR §200.403(d)**

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10

Function 252000 (fiscal) is automatically pulled in to determine an LEA's indirect rate



Unless an adjustment is made to the LEA's indirect calculation, a bookkeeper's salary and benefits should not be charged to a federal grant

This WUFAR function includes salaries and benefits for bookkeepers

**EXAMPLE  
ACCORDED CONSISTENT TREATMENT  
2 CFR §200.403(d)**

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11

**Factors affecting allowability of costs**

Every cost must be determined in accordance with generally accepted accounting principles (GAAP), which is:

The standard framework of guidelines for financial accounting used in any given jurisdiction; generally known as accounting standards or standard accounting practice. These include the standards, conventions, and rules that accountants follow in recording and summarizing and in the preparation of financial statements

**DETERMINED IN ACCORDANCE WITH GAAP  
2 CFR §200.403(e)**

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12

**Factors affecting allowability of costs**

Costs supported with federal funds cannot be counted toward a matching or cost-sharing obligation for any other federally financed program

- o Rule supports maintenance of effort provisions

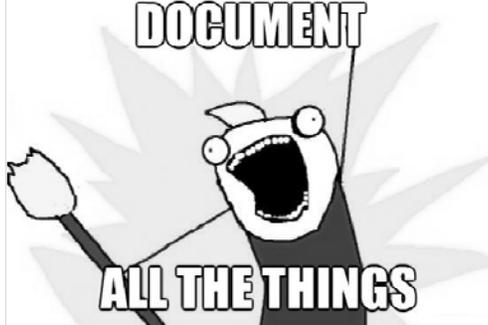
**NOT INCLUDED AS MATCH OR COST SHARE  
2 CFR §200.403(f)**

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13

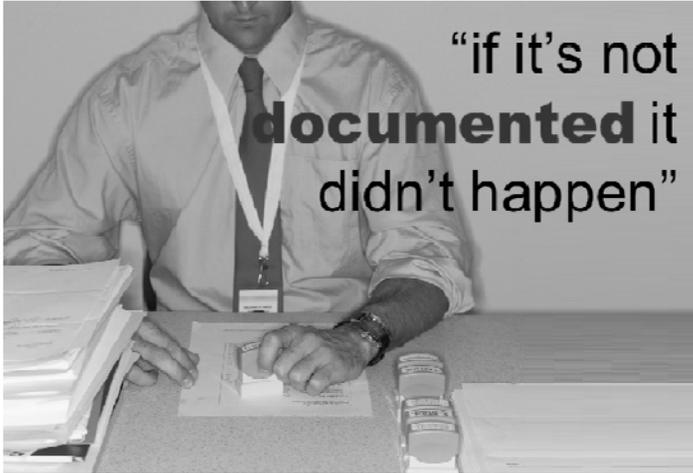
**Factors affecting allowability of costs**

Documentation rules are defined in 2 CFR §200.300 through 2 CFR §200.309



**ADEQUATELY DOCUMENTED  
2 CFR §200.403(g)**

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“if it’s not documented it didn’t happen”

14

**ONCE THE COST HAS BEEN DETERMINED TO BE ALLOWED...IT MUST BE ALLOCABLE**

15

A cost is allocable to a particular Federal award if the goods/services involved are assignable to that Federal award in accordance with relative benefits received

- To what extent are the expenditures charged to a particular grant program benefiting the program?
  - ✦ When an LEA charges 100 percent of an expenditure to a federal program, the LEA must ensure that the program is receiving the entire benefit of these costs

**ALLOCABLE TO FEDERAL AWARDS  
2 CFR §200.405(a)**

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**ALLOCABLE TO FEDERAL AWARDS  
2 CFR §200.405(a)**

16

<b>EXAMPLE 1</b>	<b>EXAMPLE 2</b>
<ul style="list-style-type: none"> <li>• A teacher spends 25% of their time on the federal award therefore 25% of the teacher’s salary is charged to the federal award</li> </ul> <div style="border: 1px solid black; border-radius: 10px; padding: 5px; text-align: center; margin-top: 10px;">           Allocable with supporting Time and Effort records         </div>	<ul style="list-style-type: none"> <li>• Grant funded staff use the Internet, so the LEA charges 3% of the network costs to the federal award</li> </ul> <div style="border: 1px solid black; border-radius: 10px; padding: 5px; text-align: center; margin-top: 10px;"> <b>Not Allocable</b> </div>

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## ALLOCABLE TO FEDERAL AWARDS

2 CFR §200.405(c)

17

A cost may not be charged to a Federal award to overcome deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons

### EXAMPLE

Instructional media purchased for the Title I program may NOT be paid for with IDEA funds simply because the LEA's Title I funds have run out and unobligated funds remain in the IDEA grant

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18

## Written Procedure Requirement

Procedures can not simply restate the Uniform Guidance

Written procedures must explain the process used throughout the grant development, budget and claiming process

- Training tool and guide for employees



## Procedures to Determine Allowable Costs 2 CFR §200.302(b)(7)

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19

## Required Certifications 200.415 (a)

20

New language that will appear on all federal claims

*By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729–3730 and 3801–3812)."*



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21

### Project costs versus the “cost” of doing business

#### Direct Costs

- Federal grants fund specific activities related to meeting the goals of the project
- Title I teacher in a Title I targeted assistance school

#### Indirect Costs

- Grant activities generate operational costs such as supervision and payroll, but are not directly related to conducting the grant activities

**DIRECT COSTS**  
**2 CFR §200.413**

### Salaries of Administrative & Clerical Staff

2 CFR 200.413(c)

22

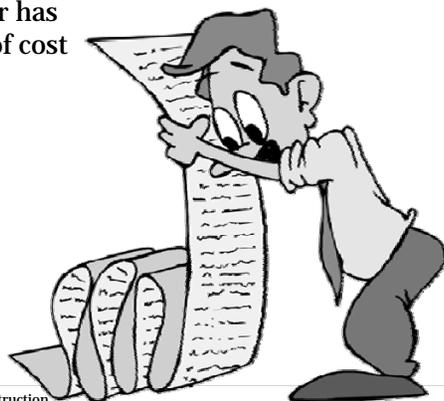
- Should normally be treated as indirect costs
- Only allowed if all of following are met:
  - ✓ Administrative or clerical services are integral to a project or activity;
  - ✓ Individuals involved can be specifically identified with the project or activity;
  - ✓ Such costs are explicitly include in the budget or have the prior written approval of the Federal awarding agency; and
  - ✓ The cost are not recovered as indirect costs

### General Provisions for Selected Items of Cost

23

The Omni Circular has 55 specific items of cost

- Not all inclusive
- Items not listed follow “Basic Considerations”



### ADVERTISING



### Advertising and Public Relations

2 CFR § 200.421

Typically not allowed unless the advertising meets a programmatic purpose

## Advertising and Public Relations Examples

25

### Allowed

- Charging advertising costs for staff recruitment to IDEA is allowed
- A Title I School of Recognition could use their reward to purchase a newspaper ad congratulating the teachers and students

### Not Allowed

- An LEA would not be allowed to use federal funds to promote their school during open enrollment

## Compensation – Personnel Services

2 CFR § 200.430

- Omni Circular addresses appropriate internal controls to support grant charges

- ESEA and IDEA law require some staff to be “highly qualified”

- ✦ Certain positions within the budget software require staff license numbers to verify the individual is licensed in the area budgeted
- ✦ Not necessary for all staff

### Time and Effort



## No Need for Individual Listings

27

General rule: If the cost is minimal, it probably does not require a “by individual” listing or license in the budget

- Professional Development
- Short-term Substitutes
- Extended School Year contracts

In the IDEA software, look under “Supporting Activities”

- Child Find / Early Childhood Activities
- IEP Evaluations / Activities



## Contributions and donations

2 CFR § 200.434

- Never allowed, no matter how good or worthy the cause
- This includes such things as cash to students / families in need or creating scholarships when it is not part of the federal program

## Conferences

2 CFR § 200.432

Conference is defined as a meeting, retreat, seminar, workshop, or event for the purpose of disseminating technical information and is reasonable for successful performance under the federal award



## Conference / Workshop Costs - Allowed

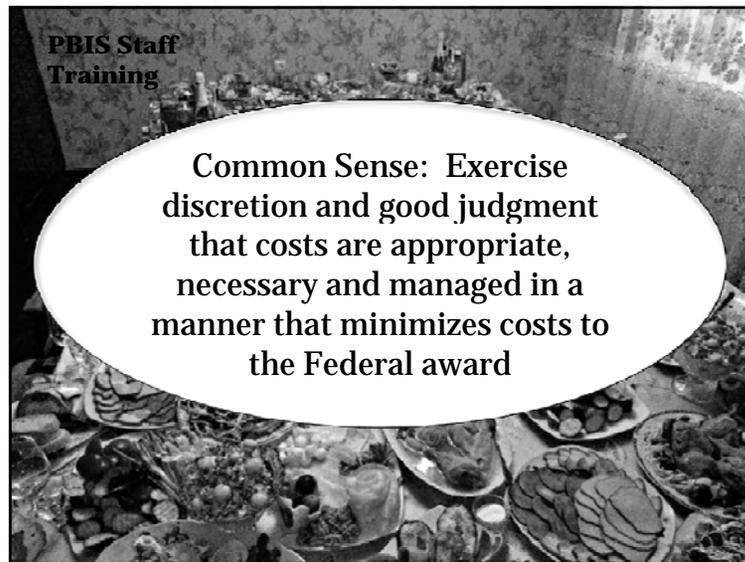
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Allowable costs include:

- ✦ Rental of facilities, speakers fees, meals, and refreshments, and transportation, **unless restricted by the federal award.**
- ✦ Be aware of the federal program's rules, as they are currently different

PBIS Staff  
Training

Common Sense: Exercise discretion and good judgment that costs are appropriate, necessary and managed in a manner that minimizes costs to the Federal award



## Conference / Workshop Costs - Allowed

32

Allowable costs include:

- ✦ 2 CFR § 200.474 (c)(1) States: Dependent care costs above and beyond regular dependent care that directly results from travel to conferences is allowable provided that:
  - ✓ The costs are a direct result of the individual's travel for the Federal award;
  - ✓ The costs are consistent with the agency's travel policies; and
  - ✓ Are only temporary during the travel period.

NEW



### Entertainment

2 CFR § 200.438

Entertainment, diversion, and social activities are ONLY allowed when the entertainment has a programmatic purpose and are authorized in the approved budget for the Federal award.

## Entertainment Costs Examples

34

### Allowed

A Title I school operating a schoolwide program may use funds to pay an author to read and facilitate activities for the school's literacy night

### Not Allowed

A school may NOT use Title I funds to pay for a fieldtrip to a water park

## Entertainment Costs Examples

35

### Allowed

A district could use IDEA funds to pay for students with disabilities to go to the movies or a baseball game as part of the life skills curriculum

### Not Allowed

A district could not use IDEA funds to pay for the staff to attend a Broadway musical while at a conference on autism

### General costs of government - Unallowable

2 CFR § 200.444

Salaries and other expenses of the chief executive of a local government or local governmental body

- Superintendents
- School Boards



## Materials and supplies costs, including costs of computing devices

2 CFR § 200.453

- A major gap in the former circulars was the lack of reference to computers – are they considered equipment or not?
  - Individually do not meet the threshold for equipment, and are thus subject to the less burdensome administrative requirements of supplies; BUT
  - All assets must be safeguarded in compliance with the law

## Travel

2 CFR § 200.474



Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business

- ✦ May be charged on actual, per diem, or mileage basis (or a combination)
- ✦ Travel costs must be reasonable and consistent with the LEA's written travel reimbursement policies
- ✦ Subrecipient must retain documentation that an individual's travel costs charged to the Federal grant are necessary for the performance of the program

## Obligating and Liquidating Travel

39

The Fiscal Year Split – Conference is in August 2016

§ 76.707 (EDGAR)

Contracted Service - on the date of the contract

Travel - when the travel is taken

**Conference Registration**  
--Contracted Service

**Paid for in June;**  
**Claimed in September**  
**Charged to the 2014-15 grant**

**Flight and Hotel**  
--Travel

**Booked in June;**  
**Claimed in September**  
**Charged to the 2015-16 grant**

## Determining Allowable Costs Example

40

- Can I use IDEA funds to buy laptops to provide educational support for students with disabilities?
  - ✓ Necessary
  - ✓ Reasonable
  - ✓ Allocable
  - ✓ Procurement Process
  - ✓ Asset Management



## Determining Allowable Costs Example

41

- Can I use Title I funds to hire a reading interventionist to support students struggling with reading?

- ✓ Necessary
- ✓ Reasonable
- ✓ Allocable
- ✓ Identified as a Need
- ✓ Highly Qualified
- ✓ Time and Effort



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## Determining Allowable Costs Example

42

- Can I use IDEA funds to pay for the installation of an elevator in case a student with a disability needs it in the future?

- ~~✓ Necessary~~
- ✓ Reasonable
- ✓ Allocable
- ~~✓ Identified as a Need~~



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## Determining Allowable Costs Example

43

- Can I use IDEA funds to replace the existing iPads that are still in use, but can no longer support the desired apps?

- ✓ Necessary
- ✓ Reasonable
- ✓ Allocable
- ✓ Identified as a Need
- ✓ Procurement Process
- ✓ Asset Management



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